

Ms. Rose Blackmon, Administrator  
Medford Place  
115 Medford Place  
Post Office Box 506  
Darlington, South Carolina 29532

Re: AC# 3-MEP-J4 – Medford Place

Dear Ms. Blackmon:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA  
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll

**MEDFORD PLACE  
DARLINGTON, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1995  
AC# 3-MEP-J4**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 1997

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Medford Place, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Medford Place, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Medford Place dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
June 10, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA  
State Auditor

**MEDFORD PLACE**  
Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1995  
AC# 3-MEP-J4

	10/01/95- <u>09/30/96</u>
Interim reimbursement rate (1)	\$78.04
Adjusted reimbursement rate	<u>77.73</u>
Decrease in reimbursement rate	\$ <u><u>.31</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

### MEDFORD PLACE

Computation of Adjusted Reimbursement Rate  
For the Contract Periods October 1, 1995 Through September 30, 1996  
AC# 3-MEP-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.84	\$33.56	\$40.58	\$33.56
Dietary	<u>.22</u>	<u>8.99</u>	<u>9.21</u>	<u>8.99</u>
Subtotal	\$ <u>3.06</u>	42.55	49.79	42.55
Laundry/Housekeeping/Maint.	\$ -	7.37	7.21	7.21
Administration & Med. Rec.	<u>1.56</u>	<u>6.81</u>	<u>8.37</u>	<u>6.81</u>
Subtotal	\$ <u>1.56</u>	56.73	\$ <u>65.37</u>	56.57
<u>Costs Not Subject to Standards:</u>				
Utilities		3.85		3.85
Special Services		-		-
Medical Supplies & Oxy.		2.72		2.72
Taxes and Insurance		1.53		1.53
Legal Fees		<u>.09</u>		<u>.09</u>
<b>TOTAL</b>		\$ <u>64.92</u>		64.76
Inflation Factor (6.30%)				4.08
Cost of Capital				7.39
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.56
Cost Incentive - For Gen. Serv. & Dietary				3.06
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.12)</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>77.73</u>

**MEDFORD PLACE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 977,099	\$ 404 (8) 29,709 (10) 634 (10)	\$ 1,688 (3) 5,736 (11)	\$1,000,422
Dietary	234,885	1,265 (5) 808 (8) 9,697 (10) 384,768 (19) 8,267 (22)	4,303 (15) 5,728 (17) 14,459 (18) 347,254 (21)	267,946
Laundry	64,085	13,440 (9)	6,244 (13)	71,281
Housekeeping	109,505	2,822 (10) 9 (14)	95 (21) 7,206 (22)	105,035
Maintenance	48,545	368 (10)	860 (14) 1,714 (21) 2,897 (22)	43,442
Administration & Medical Records	210,895	17,949 (6) 21,565 (14) 4,614 (15)	7,778 (2) 6,852 (4) 504 (10) 17,712 (11) 14,190 (21) 4,954 (22)	203,033
Utilities	126,588	11 (14)	311 (15) 3,809 (21) 7,788 (22)	114,691
Special Services	-	-	-	-
Medical Supplies & Oxygen	96,376	-	13,440 (9) 1,905 (11)	81,031



**MEDFORD PLACE**  
 Summary of Costs and Total Patient Days  
 For the Cost Report Period Ended September 30, 1994  
 AC# 3-MEP-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Taxes & Insurance	56,753	48 (14)	3,346 (8) 3,694 (16) 1,353 (21) 2,941 (22)	45,467
Legal Fees	3,754	-	628 (14) 491 (21) 95 (22)	2,540
Cost of Capital	239,636	1,231 (3) 47 (14) 2,138 (20) 964 (23)	6,467 (1) 4,935 (21) 12,301 (22)	220,313
Subtotal	2,168,121	500,758	513,678	2,155,201
Ancillary	29,329	1,057 (10) 5,736 (11)	-	36,122
Non-Allowable	114,585	7,778 (2) 6,852 (4) 3,346 (8) 404 (8) 1,745 (10) 7,016 (12) 6,244 (13) 3,694 (16) 29,915 (22)	1,265 (5) 44,736 (7) 20,192 (14) 2,138 (20) 964 (23)	112,284
Total Operating Expenses	<u>\$2,312,035</u>	<u>\$574,545</u>	<u>\$582,973</u>	<u>\$2,303,607</u>
TOTAL PATIENT DAYS	<u>29,814</u>	<u>-</u>	<u>-</u>	<u>29,814</u>
TOTAL BEDS	<u>83</u>			

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 61,836	
	Depreciation Expense		\$ 6,467
	Fixed Assets		52,023
	Equity		3,346
	To adjust fixed assets and related depreciation expense to allowable HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
2	Nonallowable Administration	7,778	7,778
	To disallow lease payments not adequately documented HIM-15-1, Section 2304		
3	Moveable Equipment	5,627	
	Depreciation Expense	1,231	
	Accumulated Depreciation		4,609
	Nursing		1,688
	Equity		561
	To capitalize asset HIM-15-1, Sections 104.1 and 110		
4	Nonallowable Administration	6,852	6,852
	To disallow late fees not related to patient care HIM-15-1, Section 2102.3		
5	Dietary - Vehicle Depreciation Nonallowable	1,265	1,265
	To properly classify vehicle depreciation State Plan, Attachment 4.19D		
6	Administration - Amortization Expense	17,949	
	Start-up Costs		254
	Other Equity		17,695
	To adjust start-up cost and related amortization expense State Plan, Attachment 4.19D		

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Liabilities	587,809	
	Nonallowable - Interest		44,736
	Other Equity		543,073
	To adjust interest expense and related payable to allowable State Plan, Attachment 4.19D		
8	Nonallowable	3,346	
	Dietary	808	
	Activities	404	
	Nonallowable - Daycare	404	
	Insurance		3,346
	Due to Oakhaven		1,616
	To reclassify auto insurance expense to the proper cost center and to adjust general insurance State Plan, Attachment 4.19D HIM-15-1, Section 2304		
9	Laundry	13,440	
	Medical Supplies		13,440
	To reclassify underpads to the proper cost center State Plan, Attachment 4.19D		
10	Nursing	29,709	
	Dietary	9,697	
	Housekeeping	2,822	
	Maintenance	368	
	Ancillary	1,057	
	Nonallowable	1,745	
	Restorative	634	
	Administrative		504
	Accounts Payable		45,528
	To adjust group insurance expense HIM-15-1, Section 2162		

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Due to/from Group	19,617	
	Ancillary	5,736	
	Administration		17,712
	Medical Supplies		1,905
	Restorative		5,736
	To reclassify expenses to be allocated from the home office and to reclassify expense to the proper cost center HIM-15-1, Section 2150.3 State Plan, Attachment 4.19D		
12	Nonallowable - Daycare Salaries	7,016	
	Due from Oakhaven		7,016
	To include adult day care salaries allocated to Oakhaven HIM-15-1, Section 2102.3		
13	Nonallowable	6,244	
	Laundry		6,244
	To adjust laundry cost to allowable HIM-15-1, Section 2304		
14	Housekeeping	9	
	Administration	21,565	
	Utilities	11	
	Taxes and Insurance	48	
	Cost of Capital	47	
	Nonallowable		20,192
	Maintenance		860
	Legal		628
	To adjust home office costs to allowable HIM-15-1, Sections 2304 and 2150		
15	Administration	4,614	
	Dietary		4,303
	Utilities		311
	To properly offset income against related expenses State Plan, Attachment 4.19D		

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
16	Nonallowable Property Taxes	3,694	3,694
	To disallow expenses not related to patient care and not adequately documented HIM-15-1, Sections 2102.3 and 2304		
17	Due from Hospital Due from Oakhaven Dietary	860 4,868	5,728
	To directly allocate dietary van expenses HIM-15-1, Section 2307		
18	Due from Hospital Due from Oakhaven Dietary	2,569 11,890	14,459
	To directly allocate nourishments HIM-15-1, Section 2307		
19	Dietary Due from Related Parties	384,768	384,768
	To reverse the provider's allocation HIM-15-1, Section 2304		
20	Accumulated Depreciation Depreciation Expense Other Equity Nonallowable	124,239 2,138	124,239 2,138
	To adjust allowable accumulated depreciation and depreciation expense State Plan, Attachment 4.19D		
21	Due from Related Parties Cost of Capital Taxes and Insurance Administration Legal Maintenance Utilities Housekeeping Dietary	373,841	4,935 1,353 14,190 491 1,714 3,809 95 347,254
	To allocate dietary costs to Oakhaven, Wilson Hospital, and the adult day care State Plan, Attachment 4.19D		

**MEDFORD PLACE**  
Adjustment Report  
Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
22	Nonallowable	29,915	
	Dietary	8,267	
	Cost of Capital		12,301
	Taxes and Insurance		2,941
	Administration		4,954
	Legal		95
	Maintenance		2,897
	Utilities		7,788
	Housekeeping		7,206
	To properly remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
23	Cost of Capital	964	
	Nonallowable		964
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,767,701</u>	<u>\$1,767,701</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MEDFORD PLACE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1994  
AC# 3-MEP-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>83</u>
Deemed Asset Value	2,563,787
Improvements Since 1981	161,215
Accumulated Depreciation at 9/30/94	<u>(406,455)</u>
Deemed Depreciated Value	2,318,547
Market Rate of Return	<u>0.072</u>
Total Annual Return	166,935
Return Applicable to Non-Reimbursable Cost Centers	(17,826)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>11,597</u>
Allowable Annual Return	160,706
Depreciation Expense	79,705
Amortization Expense	-
Capital Related Income Offsets	(20,098)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	220,313
Total Patient Days (Minimum 98% Occupancy)	<u>29,814</u>
Cost of Capital Per Diem	\$ <u><u>7.39</u></u>